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APPENDIX.

"THE NEW-FASHIONED GOLDSMITHS."

The tract which is reprinted in the following pages appears to be the source of the generally accepted statement as to the origin of private banking in London in the seventeenth century. Anderson,* referring to it as a "scarce and most curious small pamphlet," gives some extracts from it, and thenceforward uses it as a sufficient authority. McPherson does the same, following Anderson † closely in this as in other respects. McCulloch ‡ only cites the two annalists; but McLeod § appears to have used the pamphlet itself, and it is noticed by Macaulay. || Lawson appears to have used it at second-hand. ¶

The date of the tract is stated by Anderson as "about 1676"; and this date is written in an old hand upon the title-page of the copy in the British Museum Library, used in this reprint. "This was a bold Pamphlet at this Time," Anderson adds; "but, although it was printed, it does not appear to have ever been published, there being neither Bookseller's nor Printer's Name prefixed." Anderson's suggestion of possible apprehension of consequences by the printer tallies with the fact that the imprint has been cut off from the title-page of the British Museum copy, leaving only a trace of the words "Printed in."

The authorship of the tract is unknown. Anderson suspects that it may have been written by Sir Josiah Child, but on no ground except Child's repeatedly expressed dislike of "the trade of banking." The anonymous author, however, in his explanation of the "whole employment" of the goldsmiths "in my time," plainly makes that time precede the civil war. He could hardly have been Sir Josiah Child, then, who was but twelve years old when the civil war broke out.

It should be added that, although the following reprint adheres strictly to the orthography of the original, it is not a *fac-simile*.

D.

* *Historical and Chronological Deduction of the Origin of Commerce*, ii. 77.

† *Annals of Commerce, Manufactures, Fisheries, and Navigation*, ii. 427.

‡ *Literature of Political Economy*, 157.

§ *Theory and Practice of Banking*, chap. viii.

|| *History of England*, chap. xx.

¶ *History of Banking*, 189.

The
Mystery of the New Fashioned
GOLDSMITHS
or
BANKERS.

Their
Rise, Growth, State and Decay,
Discovered in a
Merchant's Letter
To a
Country Gent.

Who desired to bind his Son Apprentice to a
Goldsmith.

The Mystery of the New Fashioned Goldsmiths &c.

SIR.

SINCE you are pleased to demand my advice in the disposal of your Son to the *Goldsmiths* Trade, and my opinion of the Trade itself; I must trouble you more than I was willing to set down what I have observed of the *Goldsmiths* since I have Traded, and the steps of their Rise and Progress, and leave the judgment of the whole to your Self; tis but fit that a Son should owe the good choice of his employment and way to his fortunes to the prudence and love of his Father.

If I could now discourse you, I ought to be satisfied whether you have thought to put your Son to a *Goldsmith* of the Old or New Fashion, those of that profession having of late years wholly changed their way of Trading. In my time their whole employment was to make and sell Plate, to buy foreign Coins and Gold and Silver imported to melt and cull them, and cause some to be coined at the *Mint*, and with the rest to furnish the *Refiners*, *Plate-makers*, and *Merchants*, as they found the price of gold and silver to vary, and as the Merchants had occasion for Foreign Coins.

But about Thirty years since, the Civil Wars giving opportunity to Apprentices to leave their Masters at will, and the old way having been for Merchants to trust their Cash in one of their Servants custody, many such Cashiers left their Masters in the lurch and went to the Army, and Merchants knew not how to confide in their Apprentices; then did some Merchants begin to put their Cash into *Goldsmiths* hands to receive and pay for them, (thinking it more secure) and the trade of Plate being then but little worth, most of the Nobility and Gentry,

and others melting down their old Plate rather than buying new, and few daring to use or own Plate, the *Goldsmiths* sought to be the *Merchants* Cash-keepers to receive and pay for nothing, few observing or conjecturing their profit they had for their pains.

It

[4]

It happened about that time that the then Parliament had coined out of Plate, and otherwise seven Millions in Half-Crowns, and no Mills being then used in the *Mint*, the Money was of a very unequal weight, sometimes two pence or three pence in an ounce difference, & the *French* and others then changing the value of the Coins often, which made silver and gold of much greater value abroad than at our *English Mint*: The *Goldsmiths* found a new Mischievous trade to send all the money trusted in their hands into their Cocklofts, where they had Scales and various Weights adapted for their purpose, and servants constantly weighed every half-crown (at least) and forced them to melt for Two pence or three pence, or sometimes less gain by the ounce, and sometimes their advantage being greater by the accidents of the rise and fall of the exchange, those heaviest Coins were sent away in specie, several *French* men and other Merchants making it their whole and only business weekly to transport the gold and silver so culled, either melted down or in specie; and from hence the *Goldsmiths* set up another new Trade of buying the old English gold coin at a rate much above its Lawful coined value, buying and selling it at five, seven, eight and ten pounds in the hundred more than it was coined for, still sending it away so fast, or supplying those with it whose business was to Transport it, that by a modest computation eight parts of ten of the coined Gold was suddenly consumed, and two shillings a piece was commonly given for gold, when a penny a piece was often given before to exchange gold into silver; the Seven Millions also of silver

¹[Among the causes of this disappearance of English gold, we must reckon, besides the bad condition of the silver coinage, the change in the relative value of gold and silver, which led in 1663 to a reduction in the weight of the gold coin. See Lord Liverpool, *Coins of the Realm*, 77. Leake, *Historical Account of English Money*, 342, after speaking of the ordinance of 1647 against clipped coin, says: "And tho' twenty Millions was coined within twenty-five Years, according to the Mint-Books, it was almost all transported and melted down; so that weighty Gold was as precious in the Kingdom as Diamonds."]

new Coyned, was apparently reduced to less than one Million, and the people so abused in their money, that there was little Coin passed in trade but overworn, washed, and clipped, to the great vexation and loss of the Traders.

These unlawful practices and profits of the *Goldsmiths*, made them greedy to ingross all the Cash they could, and to combine with all mens servants who continued to keep any Cash, to bring their moneys to them to be culled, and to remain with them at four pence the day interest *per centum*² without the Masters privity: And having thus got Money into their hands, they presumed upon some to come as fast as others was paid away; and upon that confidence of a running Cash (as they call it) they begun to accomodate men with moneys for Weeks and Moneths upon extraordinary gratuities, and supply all necessitous Merchants that overtraded their Stock, with present Money for their Bills of Exchange, discounting sometimes double, perhaps treble interest for the time as they found the Merchant more or less pinched.

Profit

[5]

Profit arising by this Trade, some of them who had the highest Credit, undertook to receive Gentlemens Rents as they were returned to Town, and indeed any Mans money, and to allow them some interest for it though it lay for a month only, or less, the Owners calling for it by a hundred or fifty pounds at a time as their occasions and expenses wanted it; this new practice giving hopes to everybody to make Profit of their money until the hour they spent it, and the conveniency as they thought, to command their money when they pleased, which they could not do when lent at interest upon personal or real Security; These hopes I say, drew a great Cash into these new *Goldsmiths* hands, and some of them stuck to their old Trade, but every of them that had friends and credit, aspired to this new Mystery to become *Bankers* or *Cashiers*, and when *Cromwell* usurped the Government, the greatest of them began to deal with him to supply his wants of Money upon great Advantages especially after they had bought those Dollars whereof he robb'd the *Spaniards* to about the value of 300000l.³

² [Fourpence per day on £100 being slightly above six per cent. per annum.]

³ [This may refer to the capture of some of the plate ships near Cadiz, September 9, 1656, by a part of the fleet commanded by Blake and Montagu. See

After the King's return he wanting money, some of these Bankers undertook to lend him not their own but other mens money, taking barefaced of Him ten pound for the hundred, and by private contracts many Bills, Orders, Tallies, and Debts of the King's, above twenty, and sometimes thirty in the hundred, to the great dishonor of the Government.

This Prodigious unlawful Gain induced all of them that could be credited with moneys at intrest to become lenders to the King to anticipate all the Revenue, to take every Grant of the *Parliament* into pawn as soon as it was given, I had almost said, before the *Act* was passed for it, and to outvie each other in buying and taking to pawn, Bills, Orders, and Tallies, in effect, all the King's revenue passed their hands, and if *Solomon* be in the right, *that the Borrower is a Slave to the Lender*, the King and Kingdom became Slaves to these *Bankers*, and the Kingdom gave no small share of their Taxes to them, paying double and treble Intrest, as if they had not been able to raise Money for the publick Service at the times it was requisite.

But the number of these *Bankers* increased so fast, and the money at Interest come so much into their hands, that the King and His Farmers, and all Tallies of Anticipation and Orders, could not secure all the money they had to lend. Hereupon they fought out according to their several natural wits and capacities, how to dispose of money for more then

lawful

[6]

lawful Intrest, either upon Pawns or Bottom, Reason or unreasonable discounts of Intrest for Bills, or upon notorious usurious Contracts, or upon personal Securities from Heirs whose Estates are in expectancy, or by sudden advance of money to Projectors, who drawn into Projects many Responsible Men to the ruin of their Families ;⁴ these *Goldsmiths* however

Thurloe, V. 399, 400, 433, 434. But it seems more probable that it is a confused reference to the seizure of three Hamburg ships, "with near three hundred thousand Pound on Board in Silver, upon suspicion that it was the Property of the Dutch," noticed by Leake, 350, on the authority of Violet. This is perhaps the seizure referred to by Whitelocke, *Memorials*, 548, under date of November, 1652. Leake says that this money enabled Cromwell to dissolve the Long Parliament, and thus fixes the date.]

⁴[Anderson, after describing somewhat as above the methods in which the goldsmiths employed their deposits before the run upon them in 1667, says: "As there was a great Quantity of Cash in the Kingdom at that Time, this brief

getting 10l. or 15l. *per Centum*, and sometimes more, only for the present advance of the money, besides the future Intrest, These and a hundred other practices they have used and do still continue in contempt of Law and Justice, whereof they are so conscious to themselves, that most of them do once a year (at least) sue out their general Pardon to avoid the penalty of those wholesome Laws made to prevent such Frauds, Oppressions, contempt of Government, and mischiefs to the Publick as they are daily guilty of : 'Tis also suspected that their original Trade of culling the heavy Money is not deserted by some of them ; also how come all clipt and wast money to pass so current at their Shops, and so little appearance in payment of all the new coined Money since the King's return, so many 100000l. of the *Parliaments* Coin, besides *Bullion* imported having been new coined, and how comes *Guinies* also to be bought and sold by them so much above the Coynage rate,⁵ that upon their account only, and by their means, they pass current in payments for more than they are really worth from some of their Shops ; I am sure some Merchants are supplied with Gold and Silver *English* Coyn, to transport upon the advantage of the exchange, or making their present Bargains in *France* and elsewhere, for importing Prohibited Goods.

SIR.

I HAVE given you my *Remarques upon the Rise and growth of these new kind of Goldsmiths, and I take them to have been in their highest Ascendant or State about the time that our Ships were burnt at Chatham by the Dutch :⁶ that cold Storm*

Account may, in part, serve to answer a Query often made in our own Days ; viz., How were monied People able to dispose of their Superlucration-Cash before the modern public Funds existed ? ”]

⁵[A complete recoinage of the Commonwealth money was ordered by Charles II. in 1661, and the coinage of guineas in 1663. The guineas, ordered in the mint indenture to pass at 20s., “ immediately became current at a higher rate, by general consent, without any authority from Government.” Lord Liverpool, 78.]

⁶[June 12, 1667. Several passages in Pepys's *Diary* refer to the panic among the creditors of the London bankers, excited by this alarming event. Thus (June 13) “ W. Hewer hath been at the banker's, and hath got 500l. out of Backewell's hands of his own money ; but they are so called upon that they will be all broke, hundreds coming to them for money ! And their answer is, ‘ It is payable at twenty days : when the twenty days are out, we will pay you ’ ; and those that are not so, they make tell over their money, and make their bags false, on purpose to give cause to retell it, and so spend time. I cannot have my two hundred pieces of gold again for silver, all being bought up last night that were to be

of the Peoples fears that their money was not safe in the Bankers hands blighted them, and since being in their declension, the Famous stop upon the Exchequer almost blasted their very root,⁷ men being unwilling to trust money in their hands to lend his Majesty, so long as they hear the deplorable Cryes of the Widdow and the Father-les, whose money they say at Feasts, they lent to the King, and cannot repay them, no not their Intrest to buy them Bread.

Now

(7)

Now admitting that all the Creditors of the *Bankers* can no more think it safe that their money should be lent to the King, since Tallies, Orders, and the Great Seal it self, are found to be no security, I cannot imagine how Bread should be got by their trade of borrowing money upon lawful Intrest to lend upon unlawful to private persons, though they can silence their consciences and forget Christianity, and neither regard their neighbors welfare, nor the good of the whole Kingdom, but

had, and sold for 24 and 25s. a-piece." And (June 17) Captain Cocke says "that the bankers, he fears, are broke as to ready-money, though Viner had 100000*l.* by him when our trouble begun: that he and the Duke of Albemarle have received into their own hands, of Viner, the former 10000*l.*, and the latter 12000*l.*, in tallies or assignments, to secure what was in his hands of their's; and many other great men of our masters have done the like; which is no good sign, when they begin to fear the main." And see June 14 and 23. But (September 25) "I have not heard of one citizen of London broke in all this war, this plague, or this fire, and this coming of the enemy among us."]

⁷[January 2, 1672. For a summary account of the seizure of the bankers' cash in the exchequer, then used as "the bankers' bank," and of their efforts to obtain redress, see McLeod, *History and Practice of Banking*, chap. viii., or Lawson's *History of Banking*, 196. The infamy of advising this breach of the royal faith seems to be properly divided between Shaftesbury and Clifford; but Burnet, in his *History of his own Times*, supposing Shaftesbury to have been the adviser, adds the following: "He certainly knew of it before-hand, and took all his own money out of the Bankers' hands, and warned some of his friends to do the like." The amount seized was £1,328,526.

This seizure by Charles II. was a close imitation of the seizure of bullion in the mint by Charles I., in July, 1640, of which there is an account in Rushworth, *Historical Collections*, 1216. Anderson (ii. 68) thinks that the mint was used by the merchants as a bank in 1640, as the exchequer was after the Restoration. But Rushworth says that the bullion "was brought from beyond seas to be Coyned there," and that the seizure "gave a great alarm to the *Spanish* merchants and others, with which they were obliged forthwith to acquaint their correspondents and Partners beyond seas." And see also Ruding, *Annals of the Coinage*, i. 392. Anderson appears to have been misled by a remark of Sir William Temple, that "the Mint had the credit of a bank." The amount seized, according to Rushworth, was £120,000. There is an account of this affair with other citations in Gardiner, *History of England*, 1603-42, ix. 130. As to an arrangement for bringing in Spanish silver at this time, see a notice by Lord Liverpool, *Coins of the Realm*, 75.]

seek by Ufurious unlawful Bargains, and oppressive Exactions from the needy and men in streights, and by hook and by crook to make the most of their Cash.

I dare take it for granted that the men now of that Trade are not men of greater natural Abilities nor acquired parts, than other Tradefmen of their age and degree, nor are they better instructed than others to imploy greater Stocks in an advantageous Trade, nor have they greater Stocks of their own to hazzard to remote places, from whence most profit may be hoped for; Neither have these men greater skill in Law than other Citizens, to judg of Securities to be taken for Money, nor have they more knowledg of Men to guefs at the value of their Bonds; how then should they be able to make more Intrest of money than other Traders; yet the profit that may satisfy other Traders, cannot be sufficient for them to keep open their Shops: they must have a great dead stock of Cash to answer all Payments, and be always ready occasionally to advance great Summs: their Servants and Shops must be maintained for no use but Payments and Receipts, and deducting dead Stock and Charges, if they do not take nine *per Cent.* intrest for what they Lend and dispose of, they cannot make one of one, much less subsist. Besides there must be allowance for Charges to defend themselves against Informers for their usurious Contracts, and procuring frequent Pardons, and for hazard of loss of their Money lent upon usurious Intrest, every borrower having it in his power to plead their usury against them in lue of their Debts. All these things, and many more being duly considered, I suppose people will suddenly come to their wits, and begin to examine why a *Goldsmith-banker* should be better Security than another man, or fitter to be trusted for ten times more than he is worth: They give only personal Security, and many times their Notes for 500l. 1000l, or more,⁸ when they

⁸[McLeod, *Theory and Practice of Banking* (third edition), i. 210, gives several examples of the goldsmiths' notes, still preserved by Child & Co., one of the oldest banking firms in London. "These early goldsmiths' or bankers' notes were not printed, but were just written on plain pieces of paper, like the promissory notes of private persons. The following is a specimen:—

"Nov. 28, 1684.
"I promise to pay unto the Rt. honble. ye Lord North and Grey, or bearer, ninety pounds at demand.

For Mr. Francis Child and myself,

JNO. ROGERS."]

owe before they give that Note, twenty times the value of their own Estates, and yet these free Lenders will scarce be satisfied with two or three Mens Bonds for 1000l., that are known to be worth 5000l. a man; doubtless I say, People will think at last that a

[Banker]

(8)

Banker ought to give as good Security for money he borrows as another man, especially since he runs the greatest hazards in his disposing of Money for excessive Gain or interest.⁹

I leave it then to your self to judge whether *Banking* be like to continue half your Son's Apprenticeship, and whether all the Arts that they can teach him can be worth one of the 200l. you design to give with him; I presume upon your Pardon for my plainness and tediousness; Yet I am prompted to say something more in point of Conscience, doubting whether it be Lawful to exercise any Trade in a constant avowed breach of the Laws of the Kingdom, as all *Bankers* do, these Laws being made for the good of the Society, to which the Scripture commands obedience for Conscience sake, *where they are met* [sic] *contrary to the Laws of God.*

Perhaps it is worth the inquiry upon that account, whether any man that hath exercised the Mystery of *Banking*, hath living or dying, gone off the Stage with a clear good Estate, all his Creditors being paid, fully paid. But I judge no Man. *I submit these thoughts and my Self to Your Prudent Censure, and remain,*

Sir,

Your Humble Servant

J. R.

FINIS.

⁹ [Notwithstanding the great distrust expressed by the writer, it appears that the Little London Directory of 1677 names forty-four "goldsmiths keeping running cashes," the direct predecessors of the private bankers of the present day. Mr. F. G. H. Price, in his *Handbook of London Bankers*, vi., says that the following banking businesses are immediately descended from the goldsmiths there mentioned:—

Child & Co., from Blanchard & Child, at the sign of "Ye Marygold," Fleet Street;

Martin & Co., from Duncombe & Kent, at the "Grasshopper," Lombard Street;

Hoare & Co., from James Hore, at the "Golden Bottle," in Cheapside;

Barnetts, Hoare & Co., from Humphrey Stocks, at the "Black Horse," Lombard Street;

Willis, Percival & Co., from Thomas Williams, at the "Crown," Lombard Street.]